

Initiative 232: Income Tax Rate Limit

Placed on the ballot by citizen initiative • Passes with a majority vote

Initiative 232 proposes amending the Colorado statutes to:

- set a 4.4 percent limit on the state income tax rate for individual and corporate taxpayers.

What Your Vote Means

YES

A “yes” vote on Initiative 232 establishes the current state income tax rate of 4.4 percent as the maximum rate.

NO

A “no” vote on Initiative 232 keeps the current state income tax rate of 4.4 percent without establishing a new limit in statute.

Summary and Analysis of Initiative 232

What does Initiative 232 do?

The measure limits the state income tax rate for individuals and corporations to the current rate of 4.4 percent of taxable income beginning on January 1, 2027.

Does Initiative 232 change the current income tax rate?

No, the measure does not alter the current 4.4 percent state income tax rate. It creates a state law setting this rate as the maximum beginning on January 1, 2027.

Does Initiative 232 prevent any future changes to the state income tax rate?

No, Initiative 232 will not change the process for adjusting Colorado’s income tax rate. The state legislature or a citizen initiative may reduce the state income tax rate. The Colorado Constitution already requires that any tax rate increases be approved by voters.

What happens if Initiative 232 and Initiative 195 both pass?

Initiative 195 creates a graduated income tax, where higher tax rates are applied to higher incomes and lower tax rates are applied to lower incomes earned by a household or business. If both Initiatives 195 and 232 are approved by voters, the proposed rate for incomes over \$500,000 in Initiative 195 would be higher than the 4.4 percent limit in Initiative 232. Generally, when parts of voter-approved measures conflict, the policy outcome is determined by the measure that received more votes. However, if both measures are approved by voters, the exact outcome is unclear. The state legislature or a court will determine how to resolve any conflicts.

Argument For Initiative 232

- 1) Initiative 232 reinforces voter support for maintaining the current state income tax rate. The current rate, overwhelmingly approved by voters in 2022, is fair and keeps Colorado's tax rate among the lowest in the country.

Argument Against Initiative 232

- 1) This initiative is designed to put Initiative 195 into legal jeopardy, causing confusion and a potentially costly legal battle to resolve. After the 2026 election, Initiative 232 has no effect, since raising tax rates already requires voter approval and any future approval would override this measure.

Information about the organizations supporting and opposing this measure is available on the Colorado Secretary of State's website:

www.coloradosos.gov/pubs/elections/Initiatives/ballot/contacts/2026.html

Fiscal Impact of Initiative 232

The measure limits the state income tax rate to no higher than the current rate of 4.4 percent. This results in no change to state or local government revenue or spending. For this reason, the measure has no fiscal impact.

Note from Legislative Council Staff:

The Secretary of State is still verifying signatures for Initiative 232 and Initiative 195. If Initiative 232 qualifies for the ballot and Initiative 195 does not, we will remove the section about how the two measures interact from our analysis. We will also replace the argument against with this alternative:

- 1) Initiative 232 has no practical effect. Colorado voters must already approve any increase in the state income tax rate, so this measure does not provide any additional protections for taxpayers.